

Auditor's Summary

Financial and Compliance Audit of the Department of Transportation, Highways Division

Financial Statements, Fiscal Year Ended June 30, 2017



PHOTO: HAWAII DOT HIGHWAYS DIVISION

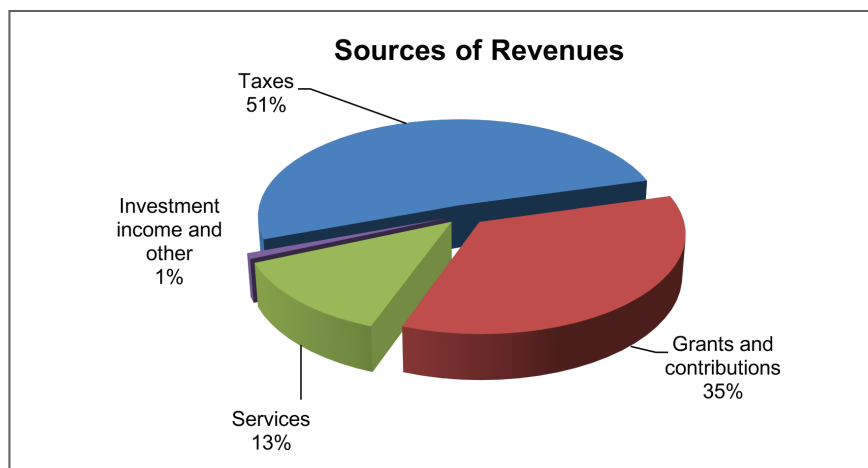
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Transportation, Highways Division (DOT–Highways), as of and for the fiscal year ended June 30, 2017, and to comply with the requirements of Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Title 2, Part 200 (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KKDLY LLC.

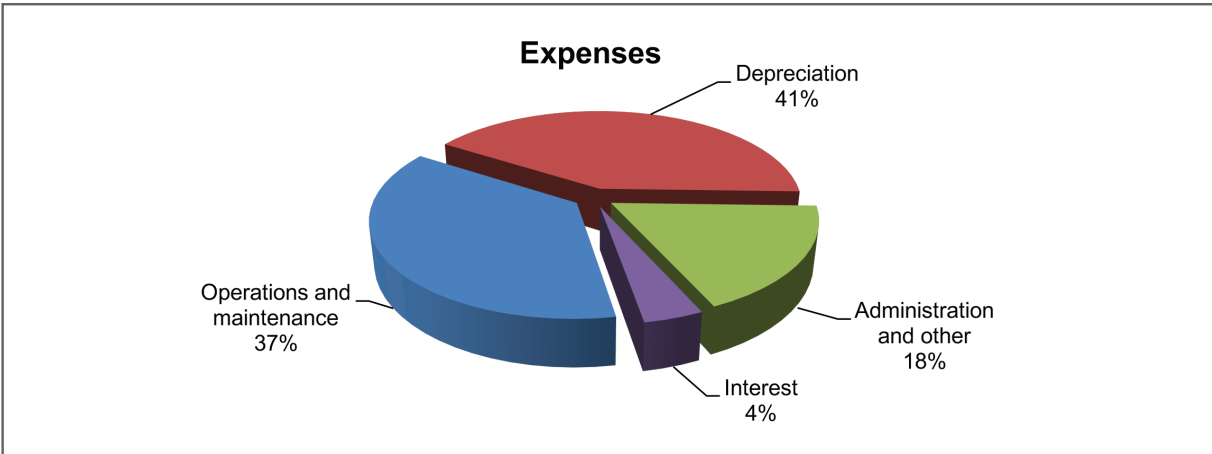
About the Department

THE MISSION OF DOT–HIGHWAYS is to facilitate the rapid, safe, and economical movement of people and goods within the State by providing, maintaining, and operating land transportation facilities and support services. The major goals of DOT–Highways are to plan, design, construct, and maintain highway facilities. In addition, DOT–Highways, together with the Statewide Transportation Planning Office, implements innovative and diverse approaches to congestion management to increase the efficiency of the transportation system.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2017, DOT–Highways reported total revenues of \$423 million, total expenses of \$490 million, and transfers of \$34 million from other state departments for the payment of debt service on general obligation bonds and for capital improvement projects, resulting in a decrease in net position of \$33 million. Revenues consisted of \$217 million in taxes, \$148 million in grants and contributions primarily from the Federal Highway Administration, \$55 million in charges for services, and \$3 million in investment income and other revenues.





Expenses consisted of \$180 million for operations and maintenance, \$203 million in depreciation, \$87 million for administration and other expenses, and \$20 million in interest.

As of June 30, 2017, total assets and deferred outflows of resources of DOT-Highways exceeded total liabilities by approximately \$4.86 billion. Of this amount, \$209 million is unrestricted and may be used to meet ongoing expenses and obligations. Total assets and deferred outflows of resources of \$5.56 billion were comprised of cash of \$452 million, net capital assets of \$5.05 billion, and \$55 million in other assets and deferred outflows of resources. Total liabilities of \$694 million included \$526 million in revenue bonds.

DOT-Highways has numerous capital projects ongoing state-wide; construction in progress totaled \$447 million at the end of the fiscal year.

Auditors' Opinions

DOT – HIGHWAYS RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOT-Highways also received an unmodified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WERE NO REPORTED DEFICIENCIES in internal control over financial reporting that were material weaknesses and no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. There were no findings that were considered material weaknesses in internal control over compliance in accordance with the *Uniform Guidance*. However, there was one significant deficiency in internal control over compliance as follows:

- Certified payroll reports were not remitted timely and did not contain evidence of review by the appropriate personnel to comply with the Davis-Bacon Act.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2017_Audit/DOT_Highways_2017.pdf